

### House Bill 392 Does Not Solve the Budget Crisis

- House Bill 392 is neither a compromise nor a responsible solution to the current budget crisis.
- Under HB 392, the Governor's discretionary cuts are still capped at 5%.
- **Rainy Day Fund**
  - HB 392 spends an additional \$50 million from the Rainy Day Fund for FY10.
  - In FY09, the Rainy Day Fund had {\$346 million}.
  - During FY 10, we have already spent \$115 million from the Rainy Day Fund.
  - As such, in the first year of the current budget crisis, *we have already spent one-third of our reserves.*
  - We know that revenues will stay low in each of the next several years, so we must preserve the Rainy Day Fund for the lean years ahead.
  - Under HB 392, we would spend almost half of our reserves in the first year alone.
- **Limitations on Total Cuts**
  - HB 392 limits total cuts to \$347 million.
  - \$347 million reflects the shortfall that was estimated based on revenue through October of last year
  - Revenue in November and December suggest the shortfall will be \$437 million.
  - Under this limitations, after all spending reductions were made, there would still be an \$90 million shortfall based on the most recent estimates.
- **Governor's Discretionary Money**
  - HB 392 requires the Governor to deposit \$61 million into the general fund before making any additional spending reductions.
  - This is \$61 million in one-time money that should not be used for recurring expenses. Spending \$61 million to shore up the FY10 budget will only make things worse in FY11 and FY12 when there will be no discretionary money to spend.
  - Some of this discretionary money has already been spent or is already committed.
  - Placing this money in the general fund likely violates federal law, potentially subjecting the state to expensive federal clawbacks during a time of declining revenue.
  - Taking this money from the Governor and appropriating it may violate the supremacy clause of the U.S. Constitution.